50 1960 - 2010

Ontario Energy Board

Annual Report 2010–2011

Ontario's Energy Sector at a Glance

ELECTRICITY

Consumers

4.8 million

Total distribution service area

682,000 km^2

Total length of distribution line

198,000 km

NATURAL GAS

Consumers

3.3 million

Total length of distribution line (mains)

76,600 km

Ontario Energy Board Regulates/Licenses:

ELECTRICITY

Independent Electricity System Operator (IESO)
Ontario Power Authority (OPA)
Smart Metering Entity (SME)

200 electricity generators
63 electricity generators under Standard Offer Program
3 electricity generators under Feed-in Tariff Program
82 electricity distributors
6 electricity transmitters
106 electricity wholesalers
49 electricity retailers
17 unit sub-meter providers

NATURAL GAS

3 natural gas distributors (rate-regulated only)
38 natural gas marketers

Our Mandate

The Ontario Energy Board oversees the province's electricity and natural gas sectors through effective, fair and transparent regulation and in accordance with the objectives set out in the governing statutory framework.

Our Mission

To promote a viable, sustainable and efficient energy sector that serves the public interest and assists consumers to obtain reliable energy services at reasonable cost.

Contents

2 A Message from the Chair and Chief Executive Officer
4 50 Years of Serving Ontarians
5 Our Priorities
6 Our Performance
20 Section 30 Cost Awards
21 Report on Regulatory Costs
24 Financial Statements
32 Board Members and Executive Management Team
34 Organizational Chart

A Message from the Chair and Chief Executive Officer

This past year was significant for the Ontario Energy Board, marking its 50th anniversary as Ontario's energy regulator. This milestone provided an opportunity for the Board to reflect on accomplishments and look ahead to our evolving role in this dynamic sector.

It was also a year of significant activity, as the Board adapted to an expanded mandate under the *Green Energy and Green Economy Act, 2009* (GEA) and assumed additional responsibilities for consumer protection. Even with these added duties, results from an independent audit showed that Board members and staff achieved 98.7 per cent of the objectives set out in the 2010–2013 Business Plan.

On January 1, 2011, the *Energy Consumer Protection Act, 2010* (ECPA) came into effect, bringing with it new responsibilities for the Board in safeguarding consumers' rights. To meet these challenges, the Board added a new business unit dedicated to consumer protection.

Informing the public about rights and responsibilities is an important part of consumer protection, as it enables them to make informed energy decisions. Last year, consumers contacted the Board more than 42,000 times with questions and concerns about billing, customer service rules, competitive energy suppliers and other issues.

The Board is constantly looking for new ways to engage consumers in the energy issues that affect their lives at home and at work. This year, we received industry recognition for our *Take Charge* consumer education campaign that helps consumers understand their energy bills better, and promotes our website's unique, interactive bill calculators. These online tools allow residential and small business consumers to estimate a monthly utility bill (electricity or natural gas) or compare a contract price offered by a competitive supplier.

The Board greatly values the opinions of our stakeholders whether they are providing input on an issue facing the sector or telling us how we're doing. Ratings on service quality have continued to improve since 2005 and, in the most recent survey of stakeholders in 2010, staff were recognized for being fair and objective, knowledgeable and responsive. Stakeholders rated the Board 8.3 out of 10 for professionalism in conducting hearings and proceedings. We will continue to enhance our regulatory processes so that we can deliver high quality service to our stakeholders and the people of Ontario.

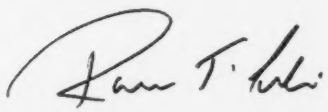
Looking ahead, Ontario faces urgent challenges to renew and modernize its electricity system so that it will be sustainable both for today's consumers and future generations.

Meeting these challenges requires replacing aging infrastructure in all parts of the industry, increasing the capacity to serve new customers and making the transition towards more renewable energy – all of which will involve significant investment. The scale of that investment has led to a sharper focus on the total cost to consumers. The Board is responsible for developing the appropriate regulatory tools to ensure that the necessary infrastructure investments are made efficiently and cost-effectively.

As we turn the page on this important year, the Board gratefully acknowledges the contributions of Howard Wetston who served as Chair and Chief Executive Officer from 2003 to 2010. Howard oversaw the Board's transition to a Crown corporation and led it through a dynamic period for the energy industry. His accomplishments, including developing staff expertise and regulatory policymaking, are evident in the quality of Board serving the province today.

Many of this year's achievements can be attributed to the strong leadership of Cynthia Chaplin who served as Interim Chair. I look forward to working with Cynthia as she resumes the role of Vice-Chair. I would also like to recognize the work of departing Vice-Chair Gordon Kaiser and long-serving Board Member Paul Vlahos.

The Board begins the next 50 years committed to the same values of fairness, transparency and objectivity that have defined our operations and directed our efforts for half a century. I look forward to working with our exceptional staff as we begin to write the next chapter of our history.



Rosemarie T. Leclair
Chair & Chief Executive Officer

50 1960 - 2010

50 Years of Serving Ontarians

1960 – Georges Vanier was Governor General and John Diefenbaker occupied 24 Sussex Drive. Parliament passed the Canadian Bill of Rights and, in Ontario, the government of Premier Leslie Frost replaced the Ontario Fuel Board with a new entity: the Ontario Energy Board.

Over the intervening half century, the Board's role has evolved to reflect the changing needs of changing times. From its early days regulating mainly natural gas to an increasing focus on electricity to today's emphasis on conservation, renewable supply and renewing and modernizing infrastructure, the Board has adapted with Ontario's energy sector.

Some of the key moments in the Board's history include:

1960 – The Ontario Energy Board is created with a mandate to set rates for the sale and storage of natural gas and to grant leave to construct oil and gas pipelines.

1965 – The *Ontario Energy Board Act, 1964*, is amended, setting out the ground rules for the Board to determine the rate base of gas utilities and giving it power to regulate a uniform system of accounts for gas companies.

1973 – The Government of Ontario announces the creation of the Ministry of Energy, which includes the Ontario Energy Board.

1998 – The mandate of the Board changes significantly with the passage of the *Energy Competition Act, 1998*. This legislation aims to create a competitive market in electricity and natural gas. The Ontario Hydro monopoly is replaced by several businesses, including Ontario Power Generation, which generates electricity, and Hydro One, which owns and maintains transmission and distribution wires. A new Crown corporation, now called the Independent Electricity System Operator (IESO), is created to manage the province's electricity system and operate the wholesale electricity market. The Board becomes responsible for regulating local distribution companies and for ensuring that they fulfill their obligations to connect and serve their customers.

2002 – After more than five years of work by the Board, the electricity industry, the IESO and the government, Ontario's electricity market is opened, making electricity generation commercially competitive, with power bought and sold on the spot market.

2003 – The *Ontario Energy Board Consumer Protection and Governance Act, 2003*, makes the Board a self-financing Crown corporation.

2004 – The *Electricity Restructuring Act, 2004*, is passed, making the Board responsible for developing a transparent mechanism to establish electricity commodity prices for eligible consumers who have not signed a contract with a retailer. The Board is also given the authority for approving the fees of the newly created Ontario Power Authority and its integrated power system plan and procurement process.

2005 – The Regulated Price Plan comes into effect.

2009 – The *Green Energy and Green Economy Act, 2009*, comes into force, establishing new objectives for the Board in promoting conservation and demand management, promoting the use and generation of electricity from renewable sources and facilitating the implementation of the smart grid.

2010 – The *Energy Consumer Protection Act, 2010*, is passed with enhanced responsibilities for the Board in protecting consumers in relation to energy contracts.

As the past 50 years have demonstrated, Ontario's energy sector is highly dynamic. Regardless of the changes or challenges ahead, the Board will remain true to its mandate and mission to regulate in the public interest.

Our Priorities

The energy sector is facing significant challenges, the most immediate being the need for substantial investment in our electricity system. This imperative stems from a number of factors, including: aging infrastructure in all facets of the electricity system, from generation to transmission to distribution; the transition towards more renewable energy, and the need to connect these new energy sources to our transmission and distribution systems; and the need to modernize our electricity system to keep pace with technological advances. Ontario's Long-Term Energy Plan (LTEP), issued in November 2010, estimates the required capital investments to be $87 billion. This scale of investment calls for a heightened focus on the total cost to consumers.

The Board has an important role to play in mitigating impacts on the consumer's bill, while ensuring the maintenance of a reliable and sustainable electricity system. The Board also has an important role to play in the transformation of the technical aspects of our sector, such as the smart electricity grid, which have been driven by rapid technological change and evolving consumer expectations.

Ontario's natural gas sector is also experiencing significant change. During the year, the Board conducted a review of recent developments in North American natural gas markets to understand the potential implications for Ontario. It assessed how this province's natural gas markets are responding to broader market conditions, particularly the projected increased supply from shale gas production in the U.S. Northeast. Greater volumes of shale gas production may, for example, change the flow pattern of natural gas in the United States and Ontario, driving the need for new pipeline services and routes while reducing the attractiveness of others. The Board's review also looked at the impacts of shale gas production over the next three to five years, including its potential impact on prices and services.

In both sectors, the Board has an important role in promoting conservation as well as responding to a broader social context that considers the economic circumstances of customers.

As the needs of the energy sector continue to change and evolve, so must its regulation. The Board will continue to examine the regulatory regime to ensure it is well suited to meet the sector's many challenges while continuing to deliver value to consumers.

Whether it's through plain-language information on our consumer website, a presentation in a community or a one-on-one conversation through our Consumer Relations Centre, the Board is committed to ensuring that consumers have the information they need to understand their rights and responsibilities as well as to make informed decisions about their energy choices.

Our consumer education work was honoured with the 2011 Award for Innovation and Leadership presented by the Canadian Association of Members of Public Utility Tribunals. The award recognized our Take Charge campaign to help consumers better understand their energy bills and promote our website's interactive bill calculators.

These online tools allow residential and small business consumers to estimate monthly electricity or natural gas utility bills or compare a contract price offered by a competitive supplier. In 2010–2011, there were more than 61,000 visits to the bill calculators.

Our Performance

The Board's 2010–2013 Business Plan reflected the evolving needs of the sector and its consumers. The focus on green energy initiatives during the 2010–2013 planning period shifted from preparation to implementation and execution – that is, to decision making and administration within the context of the new regulatory framework established under the *Green Energy and Green Economy Act, 2009* (GEA).

In addition to these GEA-related initiatives, the Business Plan included several additional key areas of focus:

- monitoring and facilitating the installation of smart meters and the implementation of time-of-use (TOU) pricing for consumers;
- continuing the implementation of the Board's rate-setting plan for the approximately 80 electricity distributors;
- assessing the impact of the changing dynamics in the North American natural gas market on prices and the utilization of Ontario's natural gas infrastructure; and
- implementing the range of consumer protection and related measures anticipated as a consequence of the *Energy Consumer Protection Act, 2010* (ECPA).

An independent audit firm, WREN Group, assessed the Board's performance in achieving the Business Plan initiatives over the past year. According to WREN Group, "the...OEB has effectively met their business plan objectives and performance targets for 2010–2011 as stated." Overall, the Board was found to have achieved a 98.7% success rate in meeting the objectives of its Business Plan.

Category	Result Achieved
Electricity Distribution	100%
Electricity Transmission and Infrastructure	100%
Natural Gas	86.7%
Consumers and Retail Markets	100%
Regulatory Processes Management	99.8%
Human Resources Management	100%

The six thematic areas of the Board's Business Plan are summarized on the following pages, along with our performance result for each objective.

Several of the Board's objectives were amended during 2010–2011 to reflect changing priorities. As well, some adjustments were required due to timing issues related to government regulations or directives. Those initiatives removed from the plan were not scored.

98.7%

Total Performance Measures

100% Performance Results

Electricity Distribution

Priorities for the distribution sector include renewing and modernizing electricity system infrastructure to ensure reliability for consumers and to keep pace with technological advances. Another key focus is on energy conservation that reduces both demand and capital investments, while also helping consumers manage their energy use. The Minister's Directive to the Board on conservation and demand management (CDM) required the Board to establish conservation targets for distributors, with the goal of achieving overall savings of 1,330 MW and 6,000 GWh by 2014. The Board's approach to rate-making needs to reflect appropriately these new responsibilities facing distributors.

During 2010–2011, the Board consulted with distributors and other stakeholders as it continued to develop guidance on implementing the smart grid. This work follows a Minister's Directive to the Board in November 2010, which established the following governmental policy objectives: operational efficiency, customer value, regional coordination, interoperability, security, privacy, safety, economic development, environmental benefits and reliability.

The Board continued to monitor distributors' deployment of smart meters and the implementation of TOU pricing for all Regulated Price Plan (RPP) customers with an eligible TOU meter. As of March 31, 2011, 98 per cent of eligible RPP customers across the province had a smart meter installed (4.6 million smart meters). Of those, 2.1 million customers, or 44 per cent, were on TOU billing.

Promoting conservation was a key initiative during the year. The Board issued its CDM Code in September 2010, setting out the requirements distributors must comply with in relation to meeting their CDM targets. In 2010, distributors filed individual strategies with the Board that provided high level descriptions of how they intend to achieve their CDM targets.

The following summarizes the Board's performance results with respect to Electricity Distribution.

Electricity Distribution (cont'd)

Objective 1.1: Ensure that renewable generation connection and smart grid implementation are incorporated into distribution system design and operations, and that distributors meet these requirements while delivering cost-effective and reliable service to consumers

Category		Performance Measures	Achievement
Green Energy Act, 2009 – smart grid planning	1.1.1	The Board will issue guidance regarding smart grid.*	Government policy directive not received within time frame – Removed from 2010–2011 performance score
Develop system reliability standards for distributors	1.1.2	The Board will issue guidance on system reliability.	100%

Objective 1.2: Ensure that electricity distributors have appropriate guidelines for conservation activities and implement these programs effectively

Category		Performance Measures	Achievement
Green Energy Act, 2009 – conservation and demand management (CDM)	1.2.1	The Board will amend all distributor licences to include CDM targets.*	100%
	1.2.2	The Board will develop a code with respect to the roles, responsibilities and targets for distributors in the delivery of CDM.*	100%
	1.2.3	The Board will complete its review of all filed distributor CDM portfolios.*	Out of year
	1.2.4	The Board will verify and publish distributor CDM plans and results annually.	Out of year
Facilitate smart meters and time-of-use (TOU) implementation	1.2.5	The Board will take action to facilitate achievement of the implementation of TOU pricing.	100%
	1.2.6	The Board will implement code amendments and rate-making mechanisms anticipated by the suite metering provisions of the proposed *Energy Consumer Protection Act, 2010.**	Code amendments were completed, but suite metering rate-making was not completed because government regulation was not passed – Removed from 2010–2011 performance score
Review rate-setting methodology to ensure it is appropriate and efficient	1.2.7	The Board will issue a report on lost revenue adjustments and revenue decoupling (3.3.2).	100%

Objective 1.3: Establish rate-setting processes that recognize the need for distribution system planning and investment and the mandate of distributors

Category		Performance Measures	Achievement
Distribution rates	1.3.1	The Board will update its guidance on cost of service and incentive regulation filings.	100%
	1.3.2	The Board will review the cost allocation policy and revise as required.	100%
	1.3.3	The Board will review Working Capital calculations and requirements for distributors.	Out of year
Review rate-setting methodology to ensure it is appropriate and efficient	1.3.4	The Board will issue guidance examining possible alternative approaches to the rate regulation of Ontario's distribution sector.	Deferred due to decision to develop a new regulatory framework – Removed from 2010-2011 performance score
	1.3.5	The Board will issue a report setting out definitions of and requirements for service charges.	Deferred due to the higher priority of issuing the low-income customer service rules; and resource/capacity constraints – Removed from 2010-2011 performance score
	1.3.6	The Board will develop a framework for determining the direct benefits accruing to customers of a distributor under Regulation 330/09.	100%
	1.3.7	The Board will issue policy guidance setting out its approach to the assessment of distributors' capital plans.	Deferred due to the decision to develop a new regulatory framework – Removed from 2010-2011 performance score
	1.3.8	The Board will issue guidance for the incentive regulation plan effective for the 2012 rate year, based on total cost benchmarking.	Out of year

** Initiatives dependent on government directives, regulations or legislation*

Electricity Transmission and Infrastructure

Priorities for the transmission and infrastructure sector include renewing and updating aging infrastructure to provide reliable supply for a growing population, enabling renewable energy to connect to the grid, and modernizing the system to keep pace with technological advances. The Board is committed to creating conditions that will foster timely and appropriate investment in transmission infrastructure while ensuring that the interests of ratepayers are protected.

Ontario's Long-Term Energy Plan, issued in November 2010, calls for an expansion of renewable generation capacity from the current 9,900 MW to 19,700 MW by 2018. To support this expansion, significant additional investment in transmission will be required. In anticipation, the Board approved a policy for investment in new transmission. The goal is to ensure a competitive process to develop major new transmission facilities while providing greater regulatory predictability with respect to cost recovery for development work. The Board believes this policy will:

- allow transmitters to move ahead on development work in a timely manner;
- encourage new entrants to transmission in Ontario, thus bringing additional resources for project development; and
- support competition in transmission in Ontario that will drive economic efficiency for the benefit of ratepayers.

The Board policy has created significant interest, with several new companies applying for transmission licences to be eligible to compete in any future designation processes.

The following summarizes the Board's performance results with respect to Electricity Transmission and Infrastructure.

Objective 2.1: Appropriate infrastructure investment, including connecting alternative and renewable generation, is facilitated in a manner consistent with the policy framework of the Government of Ontario

Category		Performance Measures	Achievement
Green Energy Act, 2009 – OEB transmission system planning	2.1.1	The Board will update filing guidance for "Leave to Construct" applications for transmitters.	Delay in Ontario Power Authority bringing forward the Economic Connection Test – Removed from 2010–2011 performance score
	2.1.2	The Board will review transmitter plans filed within 9 months from completion of publication of notice.	100%
Integrated Power System Plan (IPSP) review	2.1.3	The Board will complete its approval of the IPSP within one year from the resubmission of the plan by the OPA.	IPSP was not filed in 2010–2011 fiscal year – Removed from 2010–2011 performance score
Transmission projects	2.1.4	The Board will complete reviews of major transmission projects applications within 9 months from completion of publication of notice.	No new major transmission projects have been filed in 2010 – Removed from 2010–2011 performance score
	2.1.5	The Board will complete a review of the OPG rate-setting application within 9 months from completion of publication of notice.	100%

Objective 2.2: The financial cost of transmission infrastructure projects for generation connection is properly allocated between end-use consumers and generation project proponents

Category		Performance Measures	Achievement
Effectiveness of connection cost responsibility policy	2.2.1	The Board will monitor the effectiveness of its connection cost responsibility policies to connect generation, particularly with respect to the connection of clusters of renewable resources.	100%

86.7% Performance Results

Natural Gas

The natural gas market in North America continues to evolve and the Board is adjusting its regulatory framework to ensure that it remains aligned with these changes. For example, recent developments in the natural gas market, particularly with respect to shale gas in the U.S. Northeast, led the Board to initiate a review of natural gas regulation in Ontario, including gathering industry views. In light of the uncertainty surrounding gas production from Marcellus shale in the U.S. Northeast, the Board agreed to take a cautious and incremental approach to any regulatory response. The Board will continue to monitor the natural gas market and hold regular reviews every three years, or as required.

Incentive rate regulation of natural gas distributors has been in place for more than 10 years, with Enbridge operating under a revenue cap and Union Gas under a price cap. This approach to setting rates results in efficiencies that are passed on to consumers and significantly reduces the number and length of Board processes (a typical cost-of-service process can take approximately 250 days to complete). The Board will review updated incentive rate plans from both distributors in 2011.

As in the electricity sector, the Board continues to support conservation activities undertaken by natural gas utilities. Since Board-approved funding began in 1995, $386 million in demand-side management (DSM) spending by gas companies has been approved. Between 2012 and 2014, Board-approved spending on DSM activities in the natural gas sector is expected to reach approximately $200 million.

In exercising its role in promoting conservation, the Board is also mindful of the total bill impacts on consumers and the concern of having all ratepayers funding conservation activities that are available through a variety of channels in the marketplace. The Board recognizes a need to ensure a suite of programs specifically for low-income consumers who are not otherwise reached by the growing availability of these market-driven activities. Distributors were expected to submit their DSM plans to the Board in September 2011.

The following summarizes the Board's performance results with respect to Natural Gas.

Objective 3.1: Gas distributors are given appropriate incentives to implement demand side management and fuel switching programs

Category		Performance Measures	Achievement
Review of Board's demand-side management (DSM)	3.1.1	The Board will issue a policy on natural gas DSM framework.*	90%
Develop policy to address concerns of low-income energy consumers	3.1.2	The Board will implement measures to assist low-income consumers of natural gas.*	100%
Disconnections and security deposits	3.1.3	The Board will develop rules for disconnections and security deposits contemplated by the *Energy Consumer Protection Act, 2010.**	50%
DSM	3.1.4	The Board will complete its review of all filed DSM portfolios.	Out of year

Objective 3.2: Markets for natural gas storage and transportation services in Ontario are working well

Category		Performance Measures	Achievement
Monitor the evolving natural gas market	3.2.1	The Board will assess the impact of changing dynamics in the North American natural gas supply market on the Ontario natural gas sector including prices and transportation infrastructure utilization.	100%
Storage and Transportation Access Rule (STAR)	3.2.2	The Board will monitor implementation of the STAR to ensure compliance.	100%

Objective 3.3: Rate-setting processes for natural gas distributors remain effective and efficient

Category		Performance Measures	Achievement
Review rate-setting methodology to ensure it is appropriate and efficient	3.3.1	The Board will issue a report on lost revenue adjustments and revenue decoupling (1.2.7).	100%
Review rate regulation policies	3.3.2	The Board will review the incentive regulation mechanisms in preparation for the next generation of incentive regulation plans for gas distributors.	Out of year

** Initiatives dependent on government directives, regulations or legislation*

Consumers and Retail Markets

The *Energy Consumer Protection Act, 2010* (ECPA) introduced important new safeguards for consumers, including establishing a new framework for contracting with residential and small business consumers.

To support this new framework, the Board changed its codes and rules for electricity retailers and gas marketers and established new rules to reflect the enhanced consumer protections of the ECPA. In particular, the Board's Consumer Protection team is focused on investigating competitive suppliers' compliance with the new requirements of the ECPA.

This year, the Board created province-wide standards for customer service rules for electricity distributors and is reviewing those for gas distributors and unit sub-meter providers. Customer service rules and emergency financial assistance tailored to low-income consumers of electricity distributors are expected to be in place in 2011.

For more information about our consumer protection activities, please visit www.ontarioenergyboard.ca

Consumer Protection Activity	2009–2010	2010–2011
Consumer contacts to OEB's Consumer Relations Centre	42,300	42,800
* Complaints registered	7,600	6,400
Reimbursements to consumers	$577,300	$489,000

* *Note: 80% of complaints related to issues with competitive energy suppliers*

The following summarizes the Board's performance results with respect to Consumers and Retail Markets.

Objective 4.1: Board measures are in place to ensure energy service and commodity suppliers treat consumers with respect and in accordance with Board codes and rules, and governing legislation

Category		Performance Measures	Achievement
Review of retailer and marketer codes of conduct	4.1.1	The Board will implement the new consumer protection measures anticipated as a consequence of the *Energy Consumer Protection Act, 2010.**	100%
Monitoring of licensees	4.1.2	The Board will implement the licensing, audit and reporting provisions contemplated by the *Energy Consumer Protection Act, 2010.**	100%
	4.1.3	The Board will publish a report of retailer/marketer handling of consumers' issues/complaints.	100%
	4.1.4	The Board will publish a report of distributors' handling of consumers' issues/complaints.	100%
Establish compliance priorities	4.1.5	The Board will report quarterly on its compliance activity.	100%
	4.1.6	The Board will develop and report on its compliance priorities annually.	100%

Objective 4.2: Implement focused education and outreach programs related to the Board's key objectives

Category		Performance Measures	Achievement
Facilitate education of consumers with regard to energy and the OEB	4.2.1	The Board will provide information on consumers' rights and responsibilities through a consumer education campaign and community outreach program.	100%
Develop educational programs for low-income energy consumers	4.2.2	The Board will promote new measures through consumer education/outreach.*	100%
Outreach to First Nations and Métis	4.2.3	The Board will provide guidance to First Nations and Métis regarding Board processes.	100%
Green Energy Act, 2009	4.2.4	The Board will facilitate ongoing communication with local distribution companies, generators, transmitters and partner agencies on Board-related GEA initiatives.	100%
Stakeholder outreach	4.2.5	The Board will facilitate sessions with key stakeholders including government, energy sector participants and licensees to communicate Board initiatives and priorities.	100%

Objective 4.3: Prices set under the Regulated Price Plan (RPP) remain appropriate

Category		Performance Measures	Achievement
Regulated Price Plan (RPP)	4.3.1	The RPP has been adjusted if required, based on the methodology and the results of forecasted Ontario electricity costs.	100%
	4.3.2	The Board will evaluate the RPP price methodology to reflect changes in the Ontario electricity sector.	100%
Develop policy to address concerns of low-income energy consumers	4.3.3	The Board will implement measures to assist low-income consumers of electricity.*	100%

** Initiatives dependent on government directives, regulations or legislation*

99.8% Performance Results

Regulatory Processes Management

A substantial amount of the Board's work arises from applications made by regulated entities to recover their costs from ratepayers. This year, the Board reviewed more than 110 rate applications, which involved examining the costs related to operating a utility, including labour, maintenance and depreciation as well as the overall impact of rising energy rates.

In total, the Board processed more than 400 applications during the year. In carrying out its work, the Board is committed to processes that are both efficient and effective, and to providing its services in accordance with clear commitments, consistently and fairly applied.

The Board also strives to ensure that its policy initiatives and adjudicative functions are clearly understood by stakeholders. It regularly evaluates the timeliness, fairness and transparency of the processing of applications, policies and customer service issues, including the consumer and stakeholder complaint process related to Board activities.

In 2010 the Environics Research Group conducted our sixth stakeholder survey to measure the Board's overall performance as well as key dimensions of service quality. Performance scores have improved since 2008 in the areas including timeliness and flexibility, and consistency and fairness of decisions.

The Board continues to evaluate options to improve our hearing process, including making better use of technology. Settlement conferences are an increasingly common and cost-effective way to resolve aspects of an application that can also produce timely resolution of issues.

The Board is conscious that costs related to regulation can have an impact on the energy bills of consumers. It is, therefore, committed to maintaining the highest standards of fiscal management, including following all government policies and directives relating to procurement practices and expenses for travel and hospitality.

The following summarizes the Board's performance results with respect to Regulatory Processes Management.

Objective 5.1: Implement and improve general regulatory instruments

	Performance Measures	Achievement
5.1.1	The Board will develop and approve an audit plan for monitoring regulated entities.	100%
5.1.2	The Board will update regulatory instruments consistent with International Financial Reporting Standards for accounting, reporting and filing requirements.*	Accounting standards not established, upon which to base revisions – Removed from 2010–2011 performance score.
5.1.3	The Board will issue electricity and natural gas yearbooks.	100%
5.1.4	The Board will review all filing guidelines annually and update as required.	100%
5.1.5	The Board will consult stakeholders on possible process improvements.	100%

Objective 5.2: Maintain a high level of commitment to regulatory and operational processing, including timelines

	Performance Measures	Achievement
5.2.1	The Board will meet published timelines for processing applications: • Panel Decisions, 75% of the time. • Delegated Decisions, 80% of the time.	100%
5.2.2	Parties contacting the Market Operations Hotline will receive a complete response within five business days, 85% of the time. The remainder will receive a complete response within 45 days.	99%
5.2.3	The Board will provide a compliance determination letter within 150 days, at least 85% of the time, to resolve compliance matters.	100%
5.2.4	The Board will facilitate the resolution of disputes between regulated companies and consumers within 90 days, 90% of the time.	100%
5.2.5	The Board will update the Stakeholder Perception Index in 2010 and the overall satisfaction rating of the Board's performance will be at least 6.0.	100%
5.2.6	The Consumer Relations Centre will answer calls within 20 seconds, 80% of the time.	100%
5.2.7	The Consumer Relations Centre will respond to general correspondence within 15 business days, 80% of the time.	100%
5.2.8	The Consumer Relations Centre will respond to consumer voicemail by the next business day, 80% of the time.	100%
5.2.9	The Board will issue a decision on cost awards within 60 days from the date of the issuance of order to cost, 90% of the time.	100%
5.2.10	The Board will implement the approved Information Technology Plan as per revised plan milestones.	100%
5.2.11	The Board will post expenses as per the Travel, Meal and Hospitality Expense Directive timelines.	100%
5.2.12	The Board will comply with the new Procurement Directive.	100%

** Initiatives dependent on government directives, regulations or legislation*

Applications Processed 2010–2011

The Board operates under performance standards that establish clear milestones for each step of the application process, from start to finish. The following chart outlines the number of applications processed by the Board in 2010-2011 for each category.

Electricity & Natural Gas Applications	Number
Regulatory Direction and Oversight	5
Rules, Codes & Guidelines	1
Sub-total	**6**

Electricity Applications	Number
Facilities	7
Licences	105
Licence Amendments	58
Corporate changes (mergers, acquisitions, amalgamations, divestitures)	27
Rates	114
Initiatives (e.g. policy development, rules, etc.)	29
Sub-total	**340**

Natural Gas Applications	Number
Facilities	34
Licences	9
Rates	33
Initiatives (e.g. policy development, rules, etc.)	5
Sub-total	**81**
Grand Total	427

Human Resources Management

The Board is committed to ensuring a skilled, capable workforce equipped to meet the challenges of today and the future. It strives to create a respectful workplace environment that offers intellectually challenging work, inspires innovation and rewards collaboration.

The Board operates in a technical environment, requiring highly competent individuals with diverse skills. It is committed to strengthening the capabilities of our workforce and to developing our leadership pool. To that end, it develops leadership competencies for its management and executive team and assesses leadership talent against these standards. More broadly, the Board regularly measures employee engagement and implements measures for improvement. The Board reviews workforce plans and recruitment initiatives to attract and retain the talent it needs.

The following summarizes the Board's performance results with respect to Human Resources Management.

	Performance Measures	Achievement
6.1.1	The Board will update the Employee Engagement Index through employee surveys.	100%
6.1.2	The Board will review its Human Resource Strategy and revise accordingly.	100%
6.1.3	The Board will implement a learning and development program.	100%

Section 30 Cost Awards

Section 30 of the *Ontario Energy Board Act, 1998*, states that the Board "may order a person to pay all or part of a person's costs of participating in a proceeding before the Board, a notice and comment process under section 45 or 70.2 or any other consultation process initiated by the Board." These costs may also include the costs of the Board.

The following outlines the cost award activity for the 2010-2011 fiscal year:

		2010–2011
Board's costs recoverable under section 30 cost awards (Note 1)	$	1,598,355
Intervenor costs recovered under section 30 cost awards for applicant-driven proceedings (Note 2)		
- natural gas proceedings	$	775,979
- electricity proceedings	$	2,914,379
Stakeholder costs recovered under section 30 cost awards for consultation processes initiated by the Board (Note 2)	$	684,299
Total 2010–2011 Cost Award Activity	**$**	**5,973,012**

Note 1) These represent costs the Board incurred in relation to specific proceedings or consultation processes (e.g. consulting services, court reporting and external meeting sites). These costs are reflected in the Board's financial statements for the year ended March 31, 2011. Regulated entities are ordered to pay these costs to the Board in relation to the specific proceedings and consultation processes.

Note 2) These represent costs that regulated entities were ordered to pay intervenors in proceedings and stakeholders in consultation processes. These costs do not appear in the Board's financial statements.

Report on Regulatory Costs

Consistent with its commitment to good corporate governance, the Board reports annually on the regulatory costs associated with oversight of Ontario's gas and electricity sectors. The following three measures are identified:

- three-year moving average percentage change in operating expenses;
- three-year moving average of operating expenses as a percentage of industry revenue; and
- three-year moving average of operating expenses per end-use customer.

The following chart illustrates the rolling three-year averages for each of these regulatory cost measures.

	2010–2011	2009–2010	2008–2009
Operating Expenses[a]	$ 34,756,309	$ 32,618,479	$ 33,898,410
Measure #1: Percentage Change in Operating Expenses	**6.55%**	**-3.78%**	**5.34%**
3-Year Rolling Average	2.71%	2.99%	10.11%
Industry Revenue ($B)[b]	$ 20.3	$ 21.6	$ 20.7
Measure #2: Operating Expense as % of Industry Revenue	**0.17%**	**0.15%**	**0.16%**
3-Year Rolling Average	0.16%	0.16%	0.16%
Electric Customers[c]	4,789,637	4,741,088	4,700,898
Natural Gas Customers	3,312,736	3,219,518	3,181,316
Measure #3: Operating Expense per Customer ($/yr/customer)	**$ 4.29**	**$ 4.10**	**$ 4.30**
3-Year Rolling Average	$ 4.23	$ 4.17	$ 4.09

Notes:

a) Source: Ontario Energy Board, Financial Statements. The figure used is Total Expenses as reported in the Statement of Operations and Net Assets. Total expenses include Board costs recoverable under Section 30 of the *Ontario Energy Board Act, 1998*, of $1,598,355 in 2010–2011, $1,218,034 in 2009–2010 and $1,593,956 in 2008–2009. Intervenor and stakeholder costs that regulated entities were ordered to pay are not a cost of the Board and are therefore not included in total expenses.

b) Source: 2008–2009 to 2010–2011 estimates based on various OEB and Statistics Canada sources.

c) Source: Annual Reports.

Commentary:

Measure #1: Percentage Change in Operating Expenses
Salaries & benefits, premises, administration, meetings & travel, and information technology all remained comparable year over year. Increases occurred in consulting & professional fees ($1.3M) related to several unanticipated hearings and consumer protection.

Measure #2: Operating Expense/Industry Revenue
Industry revenue has remained comparable over the 3-year period from 2008–2009 to 2010–2011. OEB operating expenses as a percentage of industry revenue are unchanged over the period.

Measure #3: Operating Expenses per Customer
Operating expenses per customer increased by $.19 (5%) from 2009–2010 to 2010–2011, as explained in Measurement #1 above.

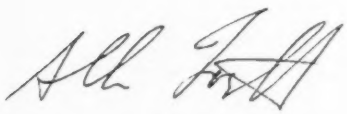
Financial Statements

Management's Responsibility

The Ontario Energy Board's management is responsible for the integrity and fair presentation of the financial statements and other information presented in the annual report. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements necessarily involves the use of management's judgment and best estimates, particularly when transactions affecting the current accounting period cannot be determined with certainty until future periods.

The Board maintains systems of internal accounting controls designed to provide reasonable assurance that reliable financial information is available on a timely basis and that the Board assets and liabilities are adequately accounted for and assets safeguarded.

The financial statements have been reviewed and approved by the Board's Management Committee. In addition the financial statements have been audited by the Auditor General of Ontario, whose report follows.



Allan Fogwill
Managing Director, Planning & Business Services
July 27, 2011

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Ontario Energy Board

I have audited the accompanying financial statements of the Ontario Energy Board, which comprise the statement of financial position as at March 31, 2011 and the statements of operations and net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

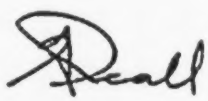
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Energy Board as at March 31, 2011 and the results of its operations, and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Toronto, Ontario
July 27, 2011

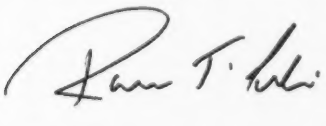
Statement of Financial Position

As at March 31, 2011

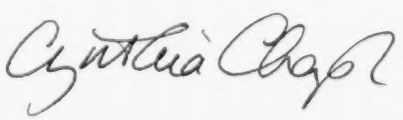
	2011	2010
ASSETS		
Current Assets:		
Cash	$ 3,346,547	$ 12,290,027
Investments (note 2c)	987,010	–
Accounts receivable	557,831	228,125
Regulatory process costs to be assessed	1,424,812	815,719
Deposits and prepaid expenses	243,693	352,766
Total Current Assets	6,559,893	13,686,637
Long-term Assets:		
Investments (note 2c)	3,999,434	–
Capital assets (note 5)	5,685,561	5,692,797
Total Long-term Assets	9,684,995	5,692,797
TOTAL ASSETS	**$ 16,244,888**	**$ 19,379,434**
LIABILITIES		
Current Liabilities:		
Deferred revenue (note 3b)	$ 724,888	$ 3,117,597
Accounts payable and accrued liabilities	4,582,286	4,334,567
Total Current Liabilities	5,307,174	7,452,164
Long-term Liabilities:		
Deferred revenue related to capital assets (note 3c)	3,393,371	3,138,642
Deferred rent inducement (note 8)	2,959,115	3,297,287
Pension liability (note 6)	409,793	324,993
Total Long-term Liabilities	6,762,279	6,760,922
TOTAL LIABILITIES	**$ 12,069,453**	**$ 14,213,086**
Operating Reserve (note 4)	$ 4,175,435	$ 4,893,848
Net Assets:		
Internally Restricted Net Assets (note 7)	–	272,500
TOTAL LIABILITIES, RESERVE AND NET ASSETS	**$ 16,244,888**	**$ 19,379,434**

See accompanying notes to financial statements

On behalf of the Management Committee:



Rosemarie Leclair
Chair



Cynthia Chaplin
Vice-Chair

Statement of Operations and Net Assets

Year Ended March 31, 2011

	2011	2010
REVENUES		
Recovery of Costs		
General cost recovery (note 3a)	$ 30,974,444	$ 28,296,698
Regulatory process costs	1,598,355	1,218,034
Amortization of deferred revenue related to capital assets	1,449,450	1,955,215
Total Revenues from Recovery of Costs	34,022,249	31,469,947
Other Revenues		
Licence fees	331,675	365,398
Interest income	121,760	71,287
Miscellaneous income	8,125	7,607
Administrative penalties	—	75,000
Total Other Revenues	461,560	519,292
TOTAL REVENUES	**34,483,809**	**31,989,239**
EXPENSES		
Salaries and benefits	23,655,988	23,476,331
Consulting and professional	3,808,315	2,491,021
Premises	2,602,320	2,296,187
Publications, media and publishing	1,192,978	533,551
Information technology	773,684	622,653
Office and administration	639,589	521,937
Meetings, training and travel	633,985	721,584
Amortization	1,449,450	1,955,215
TOTAL EXPENSES	**34,756,309**	**32,618,479**
DEFICIENCY OF REVENUES OVER EXPENSES	**(272,500)**	**(629,240)**
Net Assets, beginning of period (note 7)	272,500	901,740
NET ASSETS, end of period	**$ —**	**$ 272,500**

See accompanying notes to financial statements

Statement of Cash Flows

Year Ended March 31, 2011

	2011	2010
Net inflow (outflow) of cash related to the following activities:		
OPERATING		
Assessment billed	$ 30,285,914	$ 31,536,370
Regulatory process costs revenue	1,598,355	1,218,034
Other revenues	461,560	519,292
Expenses	(34,756,309)	(32,618,479)
	(2,410,480)	655,217
Adjustment for Non-cash Expenses:		
Amortization of capital assets paid by Board	1,449,450	1,955,215
Amortization of leasehold improvements paid by landlord	261,965	261,965
	1,711,415	2,217,180
Changes in Non-cash Working Capital:		
Purchase of Investment – Current	(987,010)	–
Accounts receivable	(329,706)	(170,652)
Regulatory process costs to be assessed	(609,093)	207,422
Deposits and prepaid expenses	109,073	(121,393)
Purchase of Investment – Long-term	(3,999,434)	–
Operating Reserve	(718,413)	183,588
Accounts payable and accrued liabilities	247,719	(553,999)
Pension liability	84,800	26,292
Deferred rent inducement	(338,172)	(338,172)
	(6,540,236)	(766,914)
Net Cash from Operating Activities	**(7,239,301)**	**2,105,483**
INVESTING		
Capital asset purchases	(1,704,179)	(1,211,395)
Net Cash Used in Investing Activities	**(1,704,179)**	**(1,211,395)**
NET CHANGE IN CASH	(8,943,480)	894,088
Cash, beginning of period	12,290,027	11,395,939
Cash, end of period	**$ 3,346,547**	**$ 12,290,027**

See accompanying notes to financial statements

1. Nature of the Corporation

The Ontario Energy Board (the "Board") is the regulator of Ontario's natural gas and electricity industries. The Board also provides advice on energy matters referred to it by the Minister of Energy and the Minister of Natural Resources.

Effective August 1, 2003, and pursuant to the *Ontario Energy Board Act, 1998*, (the "OEB Act") the Board was continued as a corporation without share capital empowered to fully recover its costs from natural gas and electricity industry participants.

As an agent of Her Majesty in right of Ontario, the Board is exempted from federal and provincial income taxes under the *Income Tax Act*.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies followed in the preparation of these financial statements include:

a) Revenue Recognition

Revenues received in the 2010-11 fiscal year that relate to subsequent years are not recognized as revenue and are deferred. Recognition of revenue is matched to the expenses of the Board as follows:

- General cost recovery under s. 26 of the OEB Act related to the expenses of the Board is recognized as revenue to the extent that they are in excess of regulatory process costs, amortization of deferred revenue related to capital assets, and other revenues. Revenue assessed in excess of actual cost in 2010-11 is referred to as a true-up (note 3b).
- Revenue from administrative penalties assessed against individual market participants under s. 112.5 of the OEB Act, 1998, is recognized in the year assessed provided that collection is reasonably assured. Revenue from administrative penalties is not used to reduce the general cost recovery as per the OEB Cost Assessment Model (note 7).
- Amortization of deferred revenue related to capital assets is recognized as revenue on the same basis that the underlying capital assets are amortized. Revenue related to capital asset expenditures is deferred because they have been billed in advance (note 3c).
- Regulatory process costs are recognized as revenue when related expenses are incurred.

Other revenues are recognized when received and receivable.

b) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is calculated on a straight-line basis over the estimated useful lives of the assets, beginning in the fiscal year following the acquisition, as follows:

Office furniture and equipment	5 years
Computer equipment and related software	3 years
Audio visual equipment	3 years
Leasehold improvements	over remainder of lease

c) Financial Instruments

Under Canadian generally accepted accounting principles, all financial instruments are classified into one of the following five categories: held-for-trading, held to maturity, loans and receivables, available for sale financial assets, or other financial liabilities.

All financial instruments are required to be measured at fair value upon initial recognition except for certain related party transactions. After initial recognition, financial instruments should be measured at their fair values, except for financial assets classified as held to maturity or loans and receivables and other financial liabilities, which are measured at cost or amortized cost.

The Board has adopted the following classifications for financial assets and financial liabilities:

- Cash and investment assets are classified as held for trading and recorded at fair value, with changes in fair value during the period recognized in the Statement of Operations and Net Assets.
- Accounts receivable and regulatory process costs to be assessed are classified as loans and receivables and are valued at face value which approximates fair value given their short term maturities.
- Accounts payable and accrued liabilities are classified as other financial liabilities and are recorded at face value which approximates fair value given their short term maturities.

The Board's investments consist of two Ontario Government bonds with maturities between June 2013 and March 2014 and effective yields in the range of 1.945% to 2.25%, and one Ontario Government treasury note with maturity March 2012 and effective yield of 1.32%. All are highly liquid and are readily convertible into known amounts of cash.

It is management's opinion that the Board is not exposed to significant interest rate, currency, liquidity or credit risk arising from its financial instruments due to their nature.

d) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles require that management make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses and recoveries for the year. Actual amounts could differ from these estimates.

e) Employee Pension Plans

The Board's full-time employees participate in the Public Service Pension Fund (PSPF) which is a defined benefit pension plan for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF, determines the Board's annual payments to the fund. Since the Board is not a sponsor of these funds, gains and losses arising from statutory actuarial funding valuations are not assets or obligations of the Board, as the sponsor is responsible for ensuring that the pension funds are financially viable. The Board's expense is limited to the required contributions to the Fund as described in note 6(a).

The Board also manages a supplementary unfunded pension plan for a former Chair as described in note 6(b). The Board accrues its obligations and the related cost under this supplemental unfunded pension plan. The actuarial liability and the current service cost are determined by independent actuaries using the projected benefit method, prorated on management's best estimate assumptions.

3. Industry Assessments for 2010–11

During the 2010-11 fiscal year, the natural gas and electricity industry participants were assessed estimated costs for the 2010-11 fiscal year based on budgeted amounts. Amounts assessed in excess of actual costs are a true-up and are reported as current deferred revenue. The 2010-11 true-up will be used to reduce the 2011-12 fiscal year assessment. The calculation of the general cost recovery, true-up and deferred revenue are outlined in the following tables.

a) 2010–11 General Cost Recovery

Salaries and benefits	$	23,655,988
Consulting and professional		3,808,315
Premises		2,602,320
Publications, media and publishing		1,192,978
Information technology		773,684
Office and administration		639,589
Meetings, training and travel		633,985
Amortization		1,449,450
Total expenses		34,756,309
Regulatory process costs, amortization of deferred revenue related to capital assets, other revenues and use of internally restricted net assets		(3,781,865)
General cost recovery at March 31, 2011	**$**	**30,974,444**

b) 2010–11 Current Deferred Revenue (2010–11 True-up)

General cost recovery (note 3a)	$	30,974,444
2010-11 Capital expenditures paid by the OEB		1,704,179
Total assessment (actual)		32,678,623
Total assessment (budget)		33,403,511
2010–11 Current Deferred Revenue (2010–11 True-up)	**$**	**724,888**

c) 2010–11 Deferred Revenue Related to Capital Assets

Revenues related to capital asset expenditures are deferred because they have been billed in advance with the exclusion of leasehold improvements paid by the landlord, which were not included in the assessments. As part of the leasehold inducements included in the lease agreement, the landlord paid for $3,540,400 of leasehold improvements on behalf of the Board since the start of the lease on January 1, 2005.

Net book value of capital assets 2010-11 (note 5)	$	5,685,561
Net book value of leasehold improvements paid by landlord (note 5)		(2,292,190)
2010–11 Deferred revenue related to capital assets	**$**	**3,393,371**

4. Operating Reserve

As part of its self-financing status, the Board established an operating reserve of the current annual assessment, which is adjusted on an annual basis. The primary objective of maintaining this reserve is to fund the Board's operations in the event of revenue shortfalls or unanticipated expenditures.

The operating reserve can be a maximum of 15%. The operating reserve is to be used for cash flow management and to support working capital requirements. Based on the review of cash flow history the Board reduced the operating reserve to 12.5% in fiscal year 2010-11, and anticipates reducing the operating reserve to 10% in fiscal year 2011-12.

2010-11 Operating Reserve

Operating reserve as at March 31, 2010	$ 4,893,848
Adjustment to the operating reserve	(718,413)
Operating reserve as at March 31, 2011	**$ 4,175,435**

The Board is not subject to any externally imposed reserve requirements.

5. Capital Assets

	Cost	*Accumulated amortization*	*Net book value 2011*	*Net book value 2010*
Office furniture and equipment	$ 2,787,729	$ 2,365,596	$ 422,133	$ 346,324
Computer equipment and related software	9,138,721	7,141,753	1,996,968	2,064,335
Audio visual equipment	870,087	845,939	24,148	36,222
Leasehold improvements paid by OEB	1,197,005	246,883	950,122	691,761
Leasehold improvements paid by Landlord	3,540,400	1,248,210	2,292,190	2,554,155
Total	**$17,533,942**	**$11,848,381**	**$ 5,685,561**	**$ 5,692,797**

6. Employee Future Benefits

a) The Board's contribution to the Public Service Pension Plan for the 2010-11 fiscal year was $1,388,702 (2010 - $1,310,165) and is included in salaries and benefits costs on the Statement of Operations and Net Assets.

b) The unfunded supplemental pension plan for a former Chair had an accrued total benefit obligation of $409,793 (2010 - $406,227) and an accrued benefit liability with respect to the Board of $409,793 (2010 - $324,993). No benefits were paid during the year (2010 - $0). The significant actuarial assumptions adopted at March 31, 2011 included a discount rate of 4.00% (2010 - 4.25%). The assumed pension commencement age has been changed to immediate retirement as at March 31, 2011. There has also been a change in accounting policy in that the Board has elected to accelerate the recognition of net actuarial gains or losses by fully recognizing losses from prior fiscal years not yet recognized as at March 31, 2010 in the net pension cost, and furthermore, to fully recognize any new actuarial gains or losses each year as they arise. Accordingly, as all unrealized net actuarial gains and losses have been recognized, the total benefit obligation equals the actuarial benefit liability as at March 31, 2011. The Board's expense for this pension plan for the year was $84,800 (2010 - $26,292) and is included in salaries and benefits costs.

c) The Board is not responsible for the cost of employee post-retirement, non-pension benefits. These costs are the responsibility of the Province of Ontario, a related party.

7. Internally Restricted Net Assets

The internally restricted net assets at March 31, 2011 represent revenue from administrative penalties assessed against individual market participants under s. 112.5 of the *Ontario Energy Board Act, 1998*. According to the OEB Cost Assessment Model, revenue from administrative penalties will not be used to reduce payments under the general assessment. Revenue from administrative penalties is internally restricted by the Management Committee to support activities relating to consumer education, outreach and other activities in the public interest.

The changes in internally restricted net assets are as follows:

Balance, beginning of the year	$	272,500
Administrative penalties issued in 2010–11		0
Expenses incurred		(272,500)
Balance, end of the year	**$**	**0**

8. Deferred Rent Inducement and Operating Lease Commitments

The Board entered into a lease commitment for its office space during the 2004–05 fiscal year, which included various lease inducements. Deferred rent inducement represents the benefit of operating lease inducements which are being amortized on a straight-line basis over 15 years, being the term of the lease.

The changes in deferred rent inducements are as follows:

		2011		2010
Balance, beginning of the year	$	3,297,287	$	3,635,459
Less: Amortization of deferred rent inducement netted against premises expense		(338,172)		(338,172)
Balance, end of the year	**$**	**2,959,115**	**$**	**3,297,287**

The minimum annual payments under the operating lease for the remaining 10 years and in aggregate are as follows:

2012	$	2,345,652
2013		2,396,313
2014		2,441,542
2015		2,523,531
2016 and thereafter		13,166,431
Total	**$**	**22,873,469**

9. Accounting Standards Change

In 2008, the Canadian Accounting Standards Board confirmed that generally accepted accounting principles for publicly accountable enterprises will move to international financial reporting standards (IFRS). In October 2009, the Canadian Institute of Chartered Accountant's (CICA) Public Sector Accounting Board approved an amendment that would require government organizations, such as the Board, the discretion to consider what type of accounting standards to use based on the type of organization and the needs of the users of their financial statements.

The Board has determined it is a Government Not For Profit Organization (GNFPO). Further the Board has chosen to adopt the CICA Public Sector Accounting Handbook with the non-for-profit sections. There will be a minimal impact on the Board's financial statements resulting from the conversion to this standard. The first year of implementation is to be the fiscal year commencing April 1, 2012 to March 31, 2013, with comparative figures in the financial statements for April 1, 2011 to March 31, 2012.

Board Members

Rosemarie T. Leclair
Chair & Chief Executive Officer
Appointed: April 3, 2011
Term expiry: April 1, 2016

Cynthia Chaplin
Vice-Chair
Appointed: March 3, 2004
Term expiry: March 2, 2012

Ms. Chaplin has served as Vice-Chair since March 2010, and as Interim Chair from November 2010 until April 2011.

Paul B. Sommerville
Appointed: July 11, 2001
Term expiry: July 10, 2012

Ken Quesnelle
Appointed: September 6, 2005
Term expiry: September 5, 2012

Paula Conboy
Appointed: March 1, 2010
Term expiry: February 29, 2012

Marika Hare
Appointed: April 30, 2010
Term expiry: April 29, 2012

Karen Taylor
Appointed: September 15, 2010
Term expiry: September 14, 2012

Part-Time Member

Cathy Spoel
Appointed: October 13, 1999
Term expiry: February 3, 2012

Departing Board Members

The Honourable Howard I. Wetston, Q.C., Chair and Chief Executive Officer

Appointed: June 30, 2003
Term expiry: June 29, 2013

Mr. Wetston resigned from the Ontario Energy Board in November 2010.

Gordon Kaiser

Vice-Chair
Appointed: July 5, 2004
Term expiry: July 4, 2010

Paul Vlahos

Appointed: October 7, 1994
Term expiry: April 8, 2010

Mr. Vlahos served as Interim Chair from December 2002 to June 2003 and Vice-Chair of the Board prior to that.

Executive Management Team

Aleck Dadson

Chief Operating Officer

Peter Fraser

A/Managing Director,
Regulatory Policy

Lynne Anderson

Managing Director,
Applications & Regulatory Audit

Mary Anne Aldred

General Counsel

Suzanne Cowan

Managing Director,
Communications & Stakeholder Relations

Allan Fogwill

Managing Director,
Planning & Business Services

Julie Mitchell

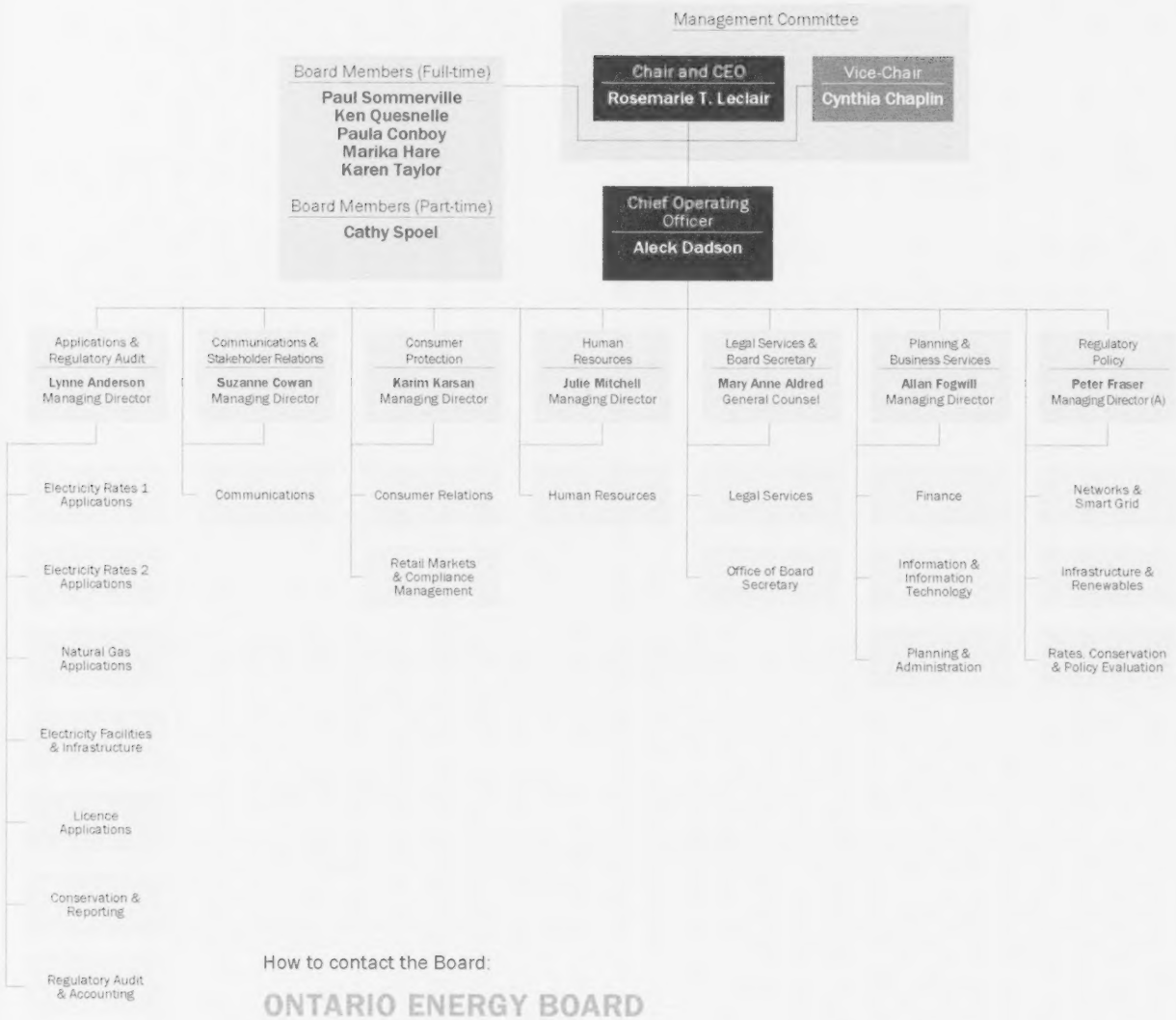
Managing Director,
Human Resources

Karim Karsan

Managing Director,
Consumer Protection

Complete bios of all our Board members and Executive Team are available on our website:
www.ontarioenergyboard.ca

Organizational Chart



How to contact the Board:

ONTARIO ENERGY BOARD

P.O. Box 2319
2300 Yonge Street
27th Floor
Toronto, Ontario, Canada
M4P 1E4
Telephone: (416) 481-1967
Toll-free in Canada: 1-888-632-6273
Facsimile: (416) 440-7656
E-mail: consumerrelations@ontarioenergyboard.ca

The Board's website is located at
www.ontarioenergyboard.ca

To reach the OEB Consumer Relations Centre, call:
Toll free: 1-877-632-2727
In Toronto: (416) 314-2455

To reach the OEB Market Operations Hotline, call: (416) 440-7604

Copies of this annual report, as well as other Board publications, may be obtained from the Board.